



2015-2035 Long Range Forecasts – Cover Discussion

Council Budget Workshop, March 24, 2014

Executive Summary:

- *Council requested a long range (20 year) look at the financial future.*
- *Results for the General Fund is attached.*
- *This forecast is based on best information at this point in time.*
- *As with all forecasts, as the forecast extends in years the margin of error increases exponentially.*

Council requested that the Budget Office take a longer-term view of the financial horizon and prepare a 20-year (out to 2035) financial forecast. As with all forecasts, the General Fund forecast is built on best information available as of this printing. The further the forecast extends into the future the greater the margin of error.

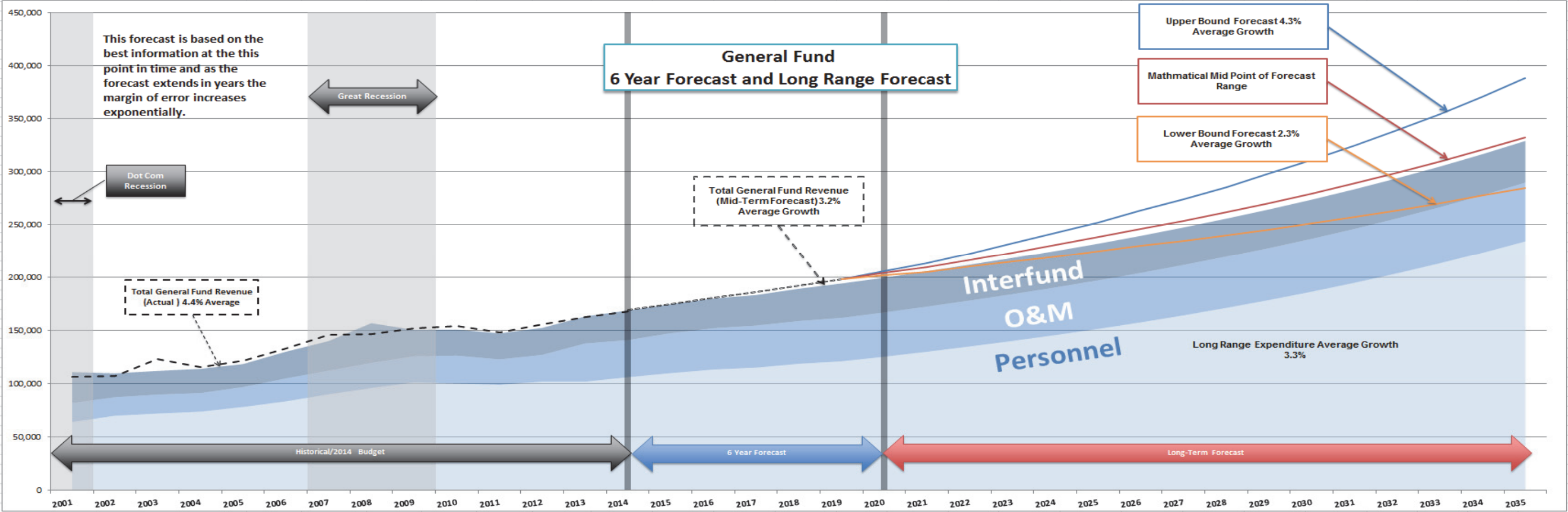
Methodology:

- For the forecast-term (years 2015 to 2020), the forecasts reflect the City's traditional 6-year (General Fund).
- For the long-term (years 2021 to 2035), since it is a challenge to forecast business cycles, the revenue streams are shown in ranges with an upper bound forecast (blue line) and a lower bound forecast (orange line). The mid-point between the upper bound and the lower bound is a mathematically calculated mid-point line (red line).
- The upper bound and the lower bound forecasts are based on historical experience, known future changes, and analysis from IHS Global Insight and Puget Sound Economic Forecaster. The future is more than likely between the orange and the blue lines.
- Expenditures are adjusted for known and measurable changes in the future and historical experience in costs.
- See the notes on each forecast for detailed assumptions.

Overall Conclusions:

General Fund Long-Range Forecast:

- The economy continues in uncharted territory post the end of the Great Recession in 2009.
- The City has a sustainable level of service at the current service levels barring a severe economic downturn, assuming the mathematical mid-point revenue stream.



Assumptions

2020 to 2035:

It is a challenge to forecast business cycles, so instead common practice is to show a upper and lower bound forecast
Upper Bound (blue line) and lower bound (orange line) forecast are based on the national and local forecasting services the City uses (IHS Global Insight and Puget Sound Economic Forecaster)
The mid-point (red line) is a math line between the high and the low - showing the middle between the upper and lower bounds (purely math).
The future is somewhere between the blue and the orange lines.

General Fund Specific:

2013 books are not yet closed. This is an estimated based on known and measurable changes as of 2/25. Nothing material has changed this assumption.
2013 shows small revenue of expenditure anticipated (0.2% to the good)
Annexation Sales Tax Credit ends in 2022.
No increase in property taxes beyond new construction
Total Personnel (Salary plus Benefits) growing at CPI plus historical percentages for benefits
LEOFF 1 converts to pay as you go in 2018 at \$2.5 million/year (Source: 2012 LEOFF Actuarial Report)
Court Facility Costs start 2015 600/year (Source: Resolution No. 8694)
General Fund Employee Count is assumed to remain flat through the Out year forecast
Assumes plan design changes over next several years to avoid tax penalties imposed by the Affordable Care Act

All Lines reflect Historical or Forecast Revenue

- Actual/Historical/Budget
- 6 year Forecast
- Upper Bound extended Forecast
- Mathematical Midpoint between upper and lower Bounds
- Lower Bound Extended Forecast

Solid bands reflect Historical and Forecast Expenses

- Personnel Expenditures
- Operations & Maintenance Expenditures
- Interfund Expenditures

Council Briefing - Long Range Forecast
Long Term General Fund Forecast (\$1,000s)
Numbers Represent Mathematical Mid Point of Forecast Range

	YE	Mid	6 Year	6 Year	6 Year	6 Year	6 Year	6 Year	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid	Math Mid
Data Table	Estimate	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Point	Point	Point	Point	Point	Point	Point	Point	Point	Point	Point	Point	Point	Point	Point
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue																							
Property Tax	\$31,282	\$31,901	\$32,194	\$32,503	\$32,817	\$33,139	\$33,469	\$33,805	\$34,128	\$34,452	\$34,773	\$35,090	\$35,402	\$35,709	\$36,014	\$36,316	\$36,616	\$36,913	\$37,205	\$37,496	\$37,784	\$38,071	\$38,357
Sales Tax	36,789	38,239	40,263	42,246	44,206	46,110	47,843	49,564	51,613	53,867	56,212	58,735	61,180	63,913	66,603	69,387	72,452	75,632	79,184	82,913	87,066	91,319	95,799
B&O	20,477	21,390	22,955	24,120	25,310	26,516	27,682	28,866	29,863	31,167	32,524	33,984	35,398	36,980	38,536	40,147	41,920	43,760	45,816	47,973	50,376	52,837	55,429
Utility Tax	26,148	26,596	27,822	29,024	30,237	31,505	32,716	33,971	35,088	36,316	37,559	38,920	40,274	41,657	43,087	44,570	46,069	47,640	49,216	50,877	52,634	54,444	56,313
Misc.	48,115	49,310	50,086	51,574	51,691	53,183	54,716	56,301	57,016	58,709	60,412	62,265	64,087	65,938	67,842	69,809	71,781	73,853	75,893	78,037	80,296	82,619	85,004
Over Collection	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total Revenue	\$162,811	\$168,936	\$174,820	\$180,967	\$185,761	\$191,953	\$197,926	\$204,007	\$209,208	\$216,011	\$222,980	\$230,494	\$237,841	\$245,697	\$253,582	\$261,729	\$270,338	\$279,298	\$288,814	\$298,796	\$309,656	\$320,790	\$332,402
Expenses																							
Personnel	\$100,890	\$106,041	\$109,851	\$113,228	\$115,047	\$118,640	\$120,955	\$125,283	\$129,936	\$134,921	\$140,095	\$145,551	\$151,343	\$157,511	\$164,090	\$171,103	\$178,468	\$186,309	\$194,648	\$203,574	\$213,056	\$223,190	\$234,021
O&M	26,805	34,854	37,476	38,788	39,486	40,149	40,786	41,545	42,353	43,131	43,916	44,724	45,565	46,444	47,360	48,261	49,191	50,148	51,158	52,189	53,269	54,399	55,517
Interfund	34,692	29,489	28,265	29,057	29,700	30,370	31,055	31,344	31,649	31,939	32,230	32,527	32,832	33,149	33,476	33,794	34,120	34,452	34,799	35,150	35,513	35,890	36,259
New Expenditures In the Extended Forecast	0	0	619	619	619	1,655	2,920	2,983	3,405	3,467	3,590	3,673	3,767	3,863	3,959	4,056	4,153	4,251	4,350	4,450	4,551	4,653	4,755
Under Expenditure	0	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Total Expenses	\$162,387	\$168,684	\$174,511	\$179,992	\$183,152	\$189,114	\$194,016	\$199,455	\$205,643	\$211,758	\$218,131	\$224,775	\$231,807	\$239,267	\$247,185	\$255,514	\$264,232	\$273,460	\$283,255	\$293,663	\$304,689	\$316,432	\$328,852
Revenue Less Expenses	\$424	\$252	\$309	\$975	\$2,609	\$2,839	\$3,910	\$4,552	\$3,565	\$4,253	\$4,849	\$5,719	\$6,034	\$6,430	\$6,397	\$6,215	\$6,106	\$5,838	\$5,559	\$5,133	\$4,967	\$4,358	\$3,550

Notes:

2013 books are not yet closed. This is an estimated based on known and measurable changes as of 2/25. Nothing material has changed this assumption.

2013 shows small revenue of expenditure anticipated (0.3% to the good)

Annexation Sales Tax Credit ends in 2022.

No increase in property taxes beyond new construction

Total Personnel (Salary plus Benefits) growing at CPI plus historical percentages for benefits

LEOFF 1 converts to pay as you go in 2018 at \$2.5 million/year (Source: 2012 LEOFF Actuarial Report)

Court Facility Costs start 2015 \$600k/year (Source: Resolution No. 8694)

General Fund Employee Count is assumed to remain flat through the Out year forecast

Assumes plan design changes over next several years to avoid tax penalties imposed by the Affordable Care Act

Forecast Percentage of Total Revenue						
	2013	2018	2024	2030	2035	Trend
Property Tax	19%	17%	15%	13%	12%	
Sales Tax	23%	24%	25%	27%	29%	
B&O	13%	14%	15%	16%	17%	
Utility Tax	16%	16%	17%	17%	17%	
Misc.	29%	29%	28%	27%	25%	
	100%	100%	100%	100%	100%	